

Economics usa



ECONOMICS USA BOOMS AND BUSTS Part I Making an effort to understand the Booms and Busts that happened and probably will happen any time.

According to the experts in economics there is no definite answer why there are Booms and Busts and what is the mystery of the business cycle. Many theories were proposed to solve this but in the end it's the same scenario that has happened time and again that shifted the balance of the market.

According Karl Marx the Business Cycle is the reason for the failure of Capitalism where as Joseph Schumpeter believes Business Cycle is the reason for the success of capitalism. But where we examine their statements it seems that both are true in their context. If markets are doing well in some part of the world it reflects in other parts of the world. Precisely if the market goes down it results in a ripple effect that brings down most of the markets in the world.

It was believed that when a commodity was produced there would be demand for the product. But the whole scenario of the market changed upside down, markets crashing; unemployment was increasing, rise in inflation, prices were falling and eventually factories being closed.

It was believed that markets correct themselves but it was proven wrong by the great depression. Maynard Keynes's theory hold good, according to his theory fall in investment spending might result in fall in consumption spending.

Part II

US economy is the world's largest and powerful economy, a slight change in its markets would result in a ripple effect throughout the world markets. The US has proven itself as the land of opportunities for many people around the globe.

Like many of the economies the US has seen the Booms and Busts of the markets that brought happiness in good times and sorrow in bad times. In 1920's the US went through the great depression and slowly and steadily markets stabilized and experts called this as the Business Cycle.

In late 1990's due to the Bubble Burst the markets crashed and in consequent years it bounced back. Now the markets again crashed due to the subprime mortgage and credit crisis and is considered greater crisis than the great depression.

The Keynes theory holds good for the current US economy. According to Keynes theory the consumption spending will come down if there is a decrease in the investment spending. If you spend less you buy less and might result in balancing the market thus giving a scope for improvement in the market.

Whatever the market scenario is, the common man prays that this kind of crisis won't come again and steal all the wealth they accumulated and hopes the good days are ahead.

References

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